

OUTLOOK

FOR THE ECONOMY AND REAL ESTATE



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August 1984

U.S. Economic and Real Estate Outlook

Aggregate Economy

The economy continues to expand at a rapid rate although the dampening impacts of the sharp increase in interest rates that occurred from February through July are beginning to be felt. Real or inflation-adjusted Gross National Product (GNP) increased at an annualized rate of 7.5 percent during the second quarter while the first quarter growth rate has been revised upward to 10.1 percent. It now looks as though real growth for all of 1984 will be about 7-1/2 percent which would be the highest annual real growth rate since 1951.

Growth of real GNP during the third quarter should slow to about 5-1/2 percent and then further decline to about 4 percent during the fourth quarter. Evidence of this slow-down of economic growth is the 0.9 percent drop in the Index of Leading Economic Indicators, the first decline in this index since August of 1982. Further, new orders for manufactured goods fell 1.4 percent in June with most of this decline occurring in the interest-sensitive durable goods sector.

Real economic growth should continue to slow through 1985 as interest rates trend upward due to the huge federal deficit and growing private credit demands. Growth of real GNP is likely to decline to about 1 percent during the second half of 1985 and average about 3 percent for the entire year. As the economy slows and private credit demands subside, interest rates should begin to fall in late 1985, setting the stage for an upturn in economic activity during 1986.

There is some confusion in the media over whether or not the current recovery has been led by consumption or investment. Table 1 presents the growth of the various components of GNP during the first six quarters of the current and three preceding recoveries and these same components as a percent of GNP over the same time intervals. Clearly, during the current recovery growth in investment, particularly residential investment, has been stronger than growth in consumption. Further, both residential and nonresidential investment have also expanded faster during the current recovery than the average of the three preceding recoveries. This rapid growth of investment is believed to be due to the Accelerated Cost Recovery System (ACRS) enacted in 1981 and the fact that the previous recession was so deep. This evidence has led several commentators to conclude that the current recovery has been led by investment.

However, the opposite conclusion is reached if the different components are considered as a percent of GNP. For example, even though the growth of consumption during the current recovery has been relatively low, the growth rate has been sufficient to boost consumption to nearly 65 percent of GNP compared to an average of about 63 percent for the preceding three recoveries. In fact, the growth of consumption accounts for 52 percent of the increase in GNP during the current recovery.

On the other hand, fixed investment has risen only slightly as a share of GNP. All of this increase as a share of GNP is due to increased investment in equipment. A slight increase in investment in nonresidential structures has been exactly offset by a decline in residential investment. In total, fixed investment has contributed just 27 percent of the increase in GNP during the current recovery, about half the increase due to consumption. (The remainder of the increase in GNP is due to government purchases of goods and services and inventory investment.)

Table 1

Components of GNP	Percent Change First Six Months of Recovery		Percent of GNP	
	Current Recovery	Avg. of Three Preceding Recoveries	Current Recovery	Avg. of Three Preceding Recoveries
GNP	11.2	9.7	-	-
Personal Consumption Expenditures	9.0	8.8	64.9	62.9
Gross Fixed Private Domestic Investment	20.4	13.3	14.9	14.3
Residential	36.8	23.2	4.0	4.4
Nonresidential	15.5	9.5	10.9	9.8
Structure	6.5	5.7	4.0	3.6
Equipment	21.5	11.8	6.9	6.2
Gov't Purchases	6.3	7.7	20.7	21.4
Federal	4.7	7.1	8.2	9.3
State & Local	7.4	7.9	12.5	12.1
Imports	22.8	13.0	10.7	6.4
Exports	10.1	6.7	10.2	7.4

Note: Current Recovery 82:4 to 84:2;
Previous Recoveries 75:1 to 76:3, 70:4 to 72:2, 61:1 to 62:3;
80:2 to 81:3 expansion not shown due to its brevity.

Employment and Inflation

The unemployment rate rose to 7.5 percent in July, up from the June rate of 7.1 percent. However, this increase is most likely due to errors in seasonally adjusting the data. Overall labor market conditions continued to improve in July with total civilian employment 107,000 greater than in May. Employment increased in all industry categories with the strongest gains occurring in service industries. Growth of employment in the manufacturing sector has slowed substantially.

The jobless rate is expected to decline to about 7 percent by the end of 1984 and may decline as low as 6.5 percent by mid-1985. However, during the second half of 1985 and the first half of 1986 the economy is expected to grow too slowly to absorb all entrants into the labor force, causing the unemployment rate to rise.

The Consumer Price Index (CPI) rose at an annualized rate of 2.4 percent in June, the same as in May. For the entire second quarter the CPI rose at an annualized rate of 3.7 percent, down from 5.0 percent during the first quarter. This decline in inflation during the second quarter is due primarily to declines in food and energy prices.

Inflation should accelerate over the remainder of 1984 and through 1985 although the expected level of inflation over the forecast interval is now lower than was generally anticipated just a few months ago. Consumer price inflation should reach the 5 percent level by the end of this year and could reach the 6 percent level by the end of 1985. The primary factor behind this acceleration in inflation is that as labor markets tighten wage costs should accelerate while the rate of growth of productivity trends downward.

Fiscal Policy

The Federal deficit for 1984 has been revised downward to \$175 billion due to exceptionally strong growth of the economy. Although this is \$20 billion less than last year's, the national debt, the cumulative effect of past deficits, is increasing rapidly. Publicly held federal debt is presently \$1.2 trillion or 35.4 percent of GNP and is expected to reach \$2.5 trillion in 1989 which is about 46 percent of GNP expected for that year. The 1984 deficit will absorb about 53 percent of net domestic saving, down from about 80 percent in 1983.

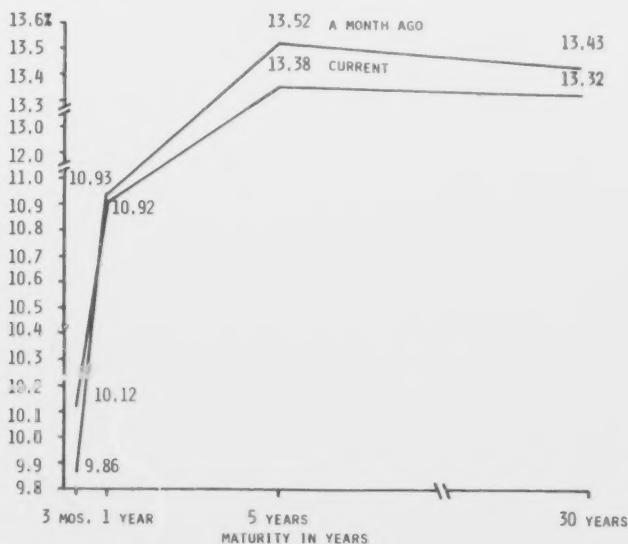
The first deficit down payment consisting of \$50 billion in taxes and \$11 billion of spending cuts has been passed by Congress and approved by the President. Despite these actions, the deficit should still increase to about \$200 billion in 1985 and about \$220 billion in 1986.

Monetary Policy and Interest Rates

Evidence of a slowing economy and lower than expected inflation have boosted confidence in bond markets over the past few weeks. Several market analysts have concluded that a fundamental downward revision in the markets inflation expectations has occurred. Adding to this optimism was the testimony of FED Chairman Volcker before the Senate Banking Committee in which he suggested that there would be no further active tightening of credit conditions by the FED this year. The result has been a greater willingness on the part of investors to buy longer-term debt issues. As shown in Diagram 1, yields for

Diagram 1

TREASURY YIELD CURVE



longer-term Treasury debt instruments have fallen in recent weeks while short term interest rates have risen. While interest rates in general may continue to decline modestly over the next several weeks, the long-term trend is still for rates to rise through mid- to late-1985 due to massive federal borrowing requirements and the increasing credit needs of an expanding private economy.

Real Estate Markets

Activity in the housing markets appears to have peaked for this recovery. In June sales of existing single-family homes rose a mere 0.6 percent after a 3-month decline. Total housing starts increased 5.3 percent in June due mainly to an increase of 32 percent in multifamily starts. Single-family starts, which make up 60 percent of the total, actually declined 7.2 percent in June. Inventories of unsold new homes reached 341,000, it's highest level since December of 1980. In accordance with the decline in single-family real estate activity, NAR's Housing Affordability Index slipped 1.5 percentage points to 85.6 percent. Mortgage rates are expected to continue to rise over the next twelve to eighteen months causing activity in housing markets to continue to decline. Resales should decline to a seasonally-adjusted annual rate of 2.6 to 2.7 million units by the end of the year, while housing starts are expected to decline to an annual rate of 1.5 to 1.6 million units. For all of 1984 existing single-family home sales should total 2.8 to 2.9 million units, then fall off to about 2.4 to 2.5 million units in 1985. Housing starts should total about 1.8 million units for all of 1984 before retreating to about 1.5 million units in 1985.

Activity in nonresidential real estate has improved broadly during the first half of 1984. The value of new commercial buildings put in place is expected to increase about 42 percent during 1984 after falling about 4 percent in 1983. This increase stems solely from increased construction of retail buildings (stores and warehouses) which follows very closely to the cycle of residential construction. Construction of new office buildings is expected to decline in 1984 and continue to decline through 1986 to correct for an oversupply of office space in some market areas. Construction of industrial or manufacturing buildings is making a fairly strong turnaround in 1984 after a very steep decline during 1983. Overall, the value of new industrial buildings put in place should increase about 30 percent this year and about 25 percent in 1985 as businesses expand and replace obsolete capacity.

Table 2
U.S. ECONOMIC OUTLOOK

AUGUST 1984

	QUARTERS								YEARS					
	Actual	Forecast							Actual	Forecast				
		84:2	84:3	84:4	85:1	85:2	85:3	85:4		86:1	1982	1983	1984	1985
AGGREGATE ECONOMY														
Gross National Product (\$ billions)	3,646	3,733	3,810	3,886	3,950	4,010	4,075	4,153	3,069	3,305	3,686	3,980	4,296	
Percent Change	10.9	9.9	8.4	8.2	6.8	6.2	6.7	7.8	3.8	7.7	11.5	8.0	7.9	
Percent Change (without inflation)	7.5	5.4	3.9	3.0	2.1	1.2	0.8	2.1	-2.1	3.7	7.4	3.2	2.2	
Consumption	6.9	4.9	4.7	4.0	1.9	1.2	0.9	1.3	1.3	4.8	5.7	3.5	2.1	
Durables	9.3	4.8	8.8	8.1	-0.8	-2.4	-3.3	-0.7	-0.3	12.1	13.4	4.1	1.3	
Nondurables	9.5	4.5	3.3	3.0	2.4	1.9	1.4	1.6	0.6	3.7	5.4	3.3	2.0	
Services	3.9	5.3	4.4	3.4	2.5	2.1	2.1	1.9	2.5	3.4	3.4	3.4	2.4	
Residential Investment	9.6	-7.7	-16.0	-16.1	-11.8	-4.2	0.9	11.2	-15.0	41.7	12.6	-10.4	7.4	
Nonresidential Investment	20.7	14.5	9.9	8.1	5.2	3.0	1.5	1.2	-4.7	2.5	19.9	8.3	2.1	
Structures	29.2	14.8	8.4	7.2	3.5	2.9	1.9	1.6	0.2	-7.8	18.2	7.9	2.4	
Equipment	17.6	14.3	10.5	8.5	5.9	3.1	1.4	1.0	-6.8	7.3	20.6	8.4	2.0	
Exports	11.2	4.2	5.7	5.3	5.2	4.9	5.1	5.6	-7.8	-5.6	6.9	5.5	5.8	
Imports	15.4	11.4	12.3	9.4	9.3	6.5	5.1	4.0	1.3	7.6	26.7	9.8	4.8	
Government Purchases	19.1	7.8	3.1	-1.2	2.8	2.6	2.3	2.7	2.0	-0.3	3.7	3.3	2.4	
Consumption (% of GNP)	64.7	64.6	64.8	64.9	64.9	64.9	64.9	64.8	65.1	65.8	64.7	64.9	64.8	
Residential Investment (% of GNP)	3.8	3.7	3.5	3.3	3.2	3.1	3.1	3.2	2.6	3.5	3.7	3.2	3.3	
Nonresidential Investment (% of GNP)	12.4	12.6	12.8	12.9	13.0	13.1	13.1	13.1	11.3	11.1	12.4	13.1	13.0	
Structures (% of GNP)	3.5	3.6	3.6	3.7	3.7	3.7	3.7	3.7	3.6	3.2	3.5	3.7	3.7	
Equipment (% of GNP)	8.8	9.0	9.2	9.3	9.4	9.4	9.4	9.4	7.7	7.9	8.9	9.4	9.3	
Inventory Change (\$ billions)	53.8	52.4	56.4	64.2	70.1	69.5	66.3	69.4	-26.1	-13.5	59.1	67.5	67.4	
Mfg. Capacity Utilization Rate (%)	82	82	83	83	82	82	81	81	71	75	82	82	82	
Auto Sales (millions of units)	10.7	10.5	10.8	10.9	10.7	10.6	10.3	10.3	8.0	9.2	10.7	10.6	10.5	
Domestic (% of total)	78.0	74.0	74.2	76.1	74.8	73.1	71.8	72.0	72.3	73.8	76.0	73.9	72.1	
Imported (% of total)	22.0	26.0	25.8	23.9	25.2	26.9	28.2	28.0	27.9	26.1	24.0	26.1	27.9	
Manufacturing Industrial Production (% change)	8.2	6.1	5.4	5.0	1.3	-0.1	-0.3	3.0	-8.5	7.8	11.4	3.7	3.0	
Common Market	5.6	3.5	2.0	1.6	2.3	4.4	2.1	1.8	-1.4	0.7	3.9	2.6	2.4	
Japan	5.6	5.1	9.0	7.7	2.2	3.1	5.8	5.2	0.4	3.5	9.8	5.7	4.1	
Employment(millions)(civilian:household basis)	105.1	106.5	107.5	108.2	108.7	109.0	109.1	109.3	99.5	100.8	105.7	108.7	109.9	
Unemployment Rate (%) (civilian)	7.5	6.9	6.6	6.6	6.6	6.8	7.0	7.1	9.7	9.6	7.2	6.7	7.2	
Personal Income per Household (average)<1>	38,274	39,265	39,958	40,576	41,169	41,856	42,570	43,452	33,698	35,461	38,761	41,583	44,724	
Percent Change -- Year Ago (w/o inflation)	5.7	6.9	5.6	4.1	3.0	1.7	1.4	1.6	-0.5	1.5	5.8	2.5	1.9	
Personal Taxes per Household (average)	6,864	7,088	7,243	7,366	7,488	7,636	7,800	8,129	6,443	6,486	6,985	7,573	8,438	
Percent Change -- Year Ago (w/o inflation)	0.7	6.7	6.2	4.8	4.3	2.8	2.4	4.8	-2.1	-3.0	3.7	3.6	5.6	
Percent of Personal Income	18.7	18.8	18.9	19.0	19.0	19.1	19.1	19.6	19.9	19.1	18.8	19.0	19.7	
Disposable Income per Household (average)	31,410	32,178	32,715	33,211	33,680	34,220	34,769	35,323	27,256	28,975	31,776	33,970	36,286	
Percent Change--Year Ago (w/o inflation)	6.8	6.7	5.4	3.9	2.7	1.6	1.2	1.0	-0.1	2.5	6.2	2.3	1.2	
Household Interest Payments (% of total)	10.7	10.3	10.3	10.3	10.4	10.7	10.6	10.4	9.6	9.8	10.4	10.5	10.2	
Net Worth per Household (average)	75,968	76,371	77,938	79,500	80,915	82,099	84,068	86,470	66,444	74,178	76,404	81,645	90,555	
Percent Change -- Year Ago (w/o inflation)	-1.6	-2.2	-0.5	1.3	1.8	2.6	2.6	3.3	-1.8	7.5	-0.8	2.1	5.1	
Consumer Price Inflation (CPI)	3.7	4.3	5.0	5.0	4.9	5.2	5.8	6.1	6.2	3.2	4.4	4.9	5.8	
Gross National Product Inflation (GNP Deflator)	3.2	4.3	4.4	5.0	4.7	5.0	5.9	5.6	6.0	3.8	3.9	4.7	5.6	
Personal Consumption Inflation	2.2	3.8	4.5	4.6	4.7	5.1	5.7	5.8	5.9	3.7	3.3	4.5	5.6	
Residential Construction Inflation	5.3	5.5	5.2	5.0	5.9	6.1	6.8	7.5	3.0	1.7	3.2	5.5	7.3	
Nonresidential Construction Inflation	1.4	4.3	5.9	7.0	7.3	7.7	8.5	8.4	4.9	-1.0	0.8	6.3	8.5	
Producers Price Inflation (WPI)	2.3	2.4	4.2	3.5	4.3	5.4	6.3	6.1	2.0	1.3	3.0	4.0	6.4	
Compensation per Manhour (% change)	3.4	4.6	5.2	6.8	5.9	6.1	6.7	7.7	7.9	5.5	4.6	5.8	7.0	
Productivity (% change)	2.3	1.9	1.6	1.4	1.3	0.6	0.4	1.1	0.0	3.1	2.9	1.4	1.0	
Unit Labor Cost (% change)	1.0	2.6	3.6	5.3	4.5	5.5	6.3	6.6	7.9	2.3	1.7	4.3	5.9	
Unit Capital Cost (% change)	4.7	4.6	4.7	4.7	4.8	4.7	4.7	4.7	9.5	6.9	4.7	4.7	4.6	
Before Tax Corporate Profits (\$ billions)<2>	261	272	272	266	263	257	250	262	181	213	264	259	271	
Corporate Tax Liability	104	111	113	111	109	105	101	110	76	86	107	107	114	
After Tax Profits	156	162	159	155	154	151	148	152	105	127	157	152	158	
Inventory Valuation Adjustment	-8	-13	-17	-19	-22	-27	-31	-33	-9	-11	-13	-25	-39	
Capital Consumption Adjustment	53	57	62	70	74	77	81	81	3	33	55	76	82	
Profits from Current Production (with IVA, CCA)	201	205	204	206	206	202	198	201	98	149	199	203	201	
Adjusted for Inflation (84:1 base)	200	202	198	198	196	189	183	183	105	153	196	191	179	
Percent Change - Year Ago	36.7	23.2	11.5	7.3	-2.0	-6.3	-7.4	-7.7	-14.6	46.0	28.2	-2.3	-6.4	
Per Unit of Output (% of GNP)	5.5	5.5	5.3	5.3	5.2	5.0	4.9	4.8	3.2	4.5	5.4	5.1	4.7	
Effective Corporate Tax Rate (%)<2>	33	34	34	34	33	33	32	34	39	34	34	33	35	
Federal Tax Receipts (Unified basis)	784	678	638	656	842	753	695	683	609	613	680	737	799	
Percent of GNP	21.5	18.2	16.8	16.9	21.3	18.8	17.1	16.4	19.8	18.6	18.5	18.5	18.6	
Federal Expenditures (Unified basis)	862	827	898	922	936	929	970	995	740	803	856	939	1,016	
Percent of GNP	23.6	22.2	23.6	23.7	23.7	23.2	23.8	24.0	24.1	24.3	23.2	23.6	23.7	
Surplus or Deficit (Unified basis)	-78	-149	-260	-266	-94	-176	-275	-312	-131	-190	-176	-203	-217	
% of GNP	2.1	4.0	6.8	6.8	2.4	4.4	6.7	7.5	4.2	5.8	4.8	5.1	5.1	
% of Personal Savings	50.7	87.7	158.7	168.9	58.7	102.5	151.8	166.3	97.8	158.1	110.0	120.5	117.0	
% of Net Domestic Savings	23.7	42.5	76.0	78.8	28.0	51.8	80.5	89.4	67.3	80.0	52.9	59.8	62.4	

(1) Includes personal contributions for social insurance.
(2) Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, and Dick Peach.

Table 3
REAL ESTATE AND FINANCIAL MARKETS

	QUARTERS								YEARS				
	Actual	Forecast							Actual	Forecast			
		84:2	84:3	84:4	85:1	85:2	85:3	85:4		86:1	1982	1983	1984
REAL ESTATE MARKETS													
Existing Single-Family Home Sales (thousands)	3,047	2,850	2,646	2,594	2,495	2,400	2,299	2,499	1,948	2,719	2,871	2,447	2,775
Percent Change - Year Ago	9.6	2.9	-4.0	-11.8	-18.1	-15.8	-13.1	-3.7	-17.2	39.6	5.6	-14.8	13.4
Dollar Volume (billions)	264.7	251.2	227.3	224.6	220.8	217.7	203.0	224.3	156.5	224.5	248.2	216.5	258.3
Existing Home Prices - Median (\$1000's)	73.3	75.0	73.6	74.6	76.6	78.8	76.9	78.3	67.7	69.8	73.4	76.7	81.3
Percent Change - Year Ago	5.0	5.5	5.1	3.9	4.6	5.1	4.5	5.0	2.3	3.2	5.1	4.5	6.0
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	684	740	735	755	775	792	763	767	754	633	700	771	763
Percent of Household Income	22	24	23	23	24	24	22	22	28	22	23	23	21
NAR Affordability Index	86.8	80.6	80.0	78.6	77.0	76.3	79.1	79.6	68.3	82.3	83.6	77.8	80.5
New Single-Family Home Sales (thousands)	627	600	580	540	520	500	480	520	417	626	625	510	595
Percent Change - Year Ago	-3.2	2.1	-13.6	-21.9	-17.0	-16.7	-17.3	-3.7	-4.3	50.1	-0.2	-18.3	16.7
New Home Prices - Median (\$1000's)	80.5	81.5	82.6	83.7	85.0	86.4	88.0	89.7	69.3	75.5	80.7	85.8	92.5
Percent Change - Year Ago	7.3	4.9	8.9	7.4	5.6	6.0	6.5	7.1	0.7	8.9	6.9	6.4	7.8
New Home Prices--Mean (\$1000's, Quality Adjusted)	92.2	93.3	94.2	95.7	97.2	98.5	99.9	102.0	87.8	89.7	92.7	97.8	105.0
Percent Change - Year Ago	3.9	2.9	4.4	5.2	5.4	5.6	6.1	6.6	2.8	2.1	3.4	5.6	7.3
New Mortgage Commitments (\$ billions)	176.2	170.8	170.0	164.7	160.2	154.4	152.1	163.9	64.8	163.4	173.1	157.8	178.7
Percent Change - Year Ago	14.4	-11.0	3.6	-6.0	-9.1	-9.6	-10.5	-0.5	8.1	152.1	5.9	-8.8	13.2
Mortgage Debt Outstanding (\$ billions)	1,966	2,025	2,086	2,150	2,213	2,277	2,342	2,251	1,629	1,752	1,987	2,245	2,184
Homeowners' Equity (\$ billions)	2,769	2,812	2,885	2,947	2,993	3,043	3,099	3,163	2,396	2,580	2,794	3,020	3,278
Housing Inventory (millions)	93.2	93.6	94.0	94.4	94.7	95.0	95.4	95.7	90.6	91.8	93.4	94.9	96.3
Private Housing Starts (thousands)	1,907	1,689	1,563	1,534	1,454	1,461	1,528	1,593	1,056	1,704	1,782	1,494	1,683
Single-Family	1,138	1,032	951	930	877	890	937	985	663	1,066	1,100	908	1,047
Percent of Total	59.7	61.1	60.8	60.6	60.3	60.9	61.3	61.8	62.8	62.6	61.6	60.8	62.2
Multi-Family	768	657	612	604	577	571	591	608	394	637	682	586	636
Percent of Total	40.3	38.9	39.2	39.4	39.7	39.1	38.7	38.2	37.2	37.4	38.4	39.2	37.8
Mobile Home Shipments (thousands)	293	282	273	282	286	285	286	295	240	296	286	285	319
Rental Vacancy Rate (%)	5.5	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.3	5.6	5.5	5.4	5.4
Unsold New Homes (% of sales)	54.5	59.6	61.8	61.9	59.9	57.9	56.7	55.2	65.2	43.0	54.9	59.1	54.7
Office Vacancy Rate (%)<1>	13.5	11.5	11.1	10.7	10.4	10.1	9.9	9.7	8.0	11.7	12.3	10.3	9.5
Industrial Vacancy Rate (%)<1>	4.7	4.4	4.2	4.0	3.9	3.8	3.8	3.7	4.4	4.9	4.5	3.9	3.6
New Commercial Building Construction (% Ch Value)	89.3	39.2	9.6	8.4	7.4	7.0	9.7	10.1	9.0	-4.2	42.2	15.2	10.7
New Industrial Building Construction (% Ch Value)	44.7	153.0	14.5	17.3	18.6	9.2	9.3	14.2	2.5	-25.7	30.9	27.4	11.8
FINANCIAL MARKETS													
Money Supply													
M1 (% change)(FED Target 4-8%)	6.2	4.8	6.0	4.6	4.9	5.9	7.2	5.9	6.6	11.0	6.8	5.4	6.3
M1 Velocity (% change)	4.4	4.9	2.3	3.5	1.8	0.3	-0.5	1.9	-2.6	-3.1	4.4	2.5	1.5
M2 (% change)(FED Target 6-9%)	7.0	7.8	7.1	5.7	5.1	8.0	8.3	7.8	9.5	12.6	7.7	6.6	7.8
M2 Velocity (% change)	3.7	1.9	1.3	2.4	1.7	-1.7	-1.4	0.1	-5.3	-4.4	3.5	1.3	0.1
Monetary Base (% change)	6.0	4.8	7.8	7.0	5.8	5.8	6.0	5.8	6.9	9.5	7.5	6.4	6.6
Flow of Funds													
Supply (total)	413	435	434	431	437	446	455	468	212	280	418	442	476
Personal Savings	154	170	164	157	160	171	181	188	136	118	160	166	186
Savings Rate	6.0	6.5	6.1	5.8	5.8	6.1	6.3	6.4	6.2	5.9	6.2	6.0	6.2
Net Business Savings	121	123	119	119	117	110	104	105	29	76	118	113	102
State + Local Govt. Savings	54	58	59	61	59	58	56	57	33	44	56	58	60
Foreign Funds(current account deficit)	84	84	92	93	101	107	114	119	13	42	84	104	127
Demand (total)	262	358	451	454	247	321	409	461	167	325	377	358	369
Consumer Installment Debt(net change)	57	60	46	38	22	20	18	19	19	40	58	24	30
Commercial+Industrial Loans(net change)	50	54	56	61	49	47	38	43	23	-2	46	48	28
Home Mortgage Debt(net change)	77	95	89	89	82	78	78	87	-5	96	97	82	93
Federal Deficit	78	149	260	266	94	176	275	312	131	190	176	203	217
Selected Interest Rates (Percent)													
Mortgage Commitment Rates													
30 Year,Fixed-Rate	14.4	14.9	15.1	15.3	15.3	15.2	15.0	14.8	17.2	13.9	14.5	15.2	14.2
Real Mortgage Rate	11.2	10.6	10.7	10.3	10.6	10.2	9.1	9.2	12.9	10.2	10.5	10.1	8.3
1 Year ARM (without buy-down)	13.2	13.6	13.8	14.1	14.3	14.6	14.4	13.5	14.0	11.3	13.1	14.3	13.0
Real Mortgage Rate	10.1	9.3	9.4	9.1	9.6	9.6	8.5	7.9	9.7	7.5	9.1	9.2	7.2
Corporate Bond Rate (AAA)	13.2	13.8	13.9	14.0	14.1	14.1	13.9	13.7	13.8	12.0	13.3	14.0	12.9
Government Bond Rate	13.2	13.3	13.4	13.5	13.6	13.5	13.3	12.8	12.9	11.3	13.0	13.5	12.1
Real Government Bond Rate	10.0	9.0	9.0	8.5	8.9	8.5	7.4	7.2	8.7	7.6	8.9	8.4	6.3
Federal Funds Rate	10.6	11.5	11.6	12.0	12.2	12.4	12.2	11.3	12.3	9.1	10.8	12.2	10.5
3 Month Treasury Bill Rate	9.8	10.2	10.5	10.8	11.0	11.2	11.0	10.1	10.6	8.6	9.9	11.0	9.7
Real 3 Month T-Bill Rate	6.6	5.9	6.1	5.8	6.3	6.2	5.1	4.5	6.4	4.8	5.9	5.9	3.9
1 Year Treasury Bill Rate	11.5	11.9	12.1	12.4	12.6	12.9	12.7	11.8	12.3	9.6	11.4	12.7	11.3
Commercial Paper Rate	10.6	11.3	11.5	11.9	12.1	12.6	12.3	11.3	11.9	8.9	10.7	12.2	10.8
Rate on Money Market Fund Shares	10.8	11.5	11.7	12.1	12.3	12.8	12.5	11.5	12.1	9.0	10.9	12.5	10.9
Prime Rate	12.3	13.1	13.3	13.8	14.0	14.2	14.0	13.4	14.9	10.8	12.4	14.0	12.8
<1> Historical data courtesy of Coldwell Banker.													

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Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, and Dick Peach.